British Columbia Securities Commission

SERVICE PLAN

2002-2005

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GLOSSARY

Term	Description
CDNX	Canadian Venture Exchange
Continuous Disclosure	The legally required public disclosure by companies of their financial statements and news releases
CSA	Canadian Securities Administrators: an association of the securities administrators of each Canadian province and territory.
IDA	Investment Dealers Association of Canada
Insider disclosure	The legally required public disclosure by insiders of their securities transactions
Issuer	A company that has securities issued/outstanding, or is proposing to issue securities
MD&A	Management Discussion and Analysis: the section of a quarterly or annual financial report where the company's management makes comments concerning the company's financial results
MFDA	Mutual Fund Dealers Association of Canada
NEAT	New Economy and Adoption of Technologies group: a group of staff from various divisions of the BCSC and selected industry advisors. The goals are to open the channels of communication with companied in the new economy.
Registrant	A company or individual that is registered under a provision of the Securities Act to trade or advise in securities
Reporting Issuer	A company that has issued securities that are held by the public. These companies are subject to the Continuous Disclosure requirements of securities laws.
SRO	Self-regulatory organization
TSE	Toronto Stock Exchange

EXECUTIVE SUMMARY

Several major trends affect the BCSC's planning context:

- The business of capital raising and securities trading has become highly competitive on a global scale.
- Recently, the world economy has slowed, making markets volatile and capital raising more difficult and more necessary.
- Technology is driving market innovation and facilitating the creation of new financial products and services.
- Technology and competition are changing the structure of markets and the roles of intermediaries.
- Retail investors are participating in the securities markets in record numbers.
- Fraud artists are using new and creative techniques to target investors.

We must strike a balance between protecting investors from fraudulent, abusive and unfair practices, and allowing market participants to pursue their economic interests without an excessive burden of regulation.

To attain our mission, we must find solutions for these 5 key challenges:

1. Excessive regulatory burden on the securities market
2. Cost to the market of regulatory delays
3. Lack of compliance by some registrants
4. Deficient continuous disclosure by some reporting issuers and insiders
5. Internet scams and illegal distributions of securities

We have developed solutions to deal with these challenges. We have also prepared criteria to judge whether, at the conclusion of the planning period, our solutions have been a success.

Our vision is to make British Columbia the best place in North America to invest and raise capital. To do that, we must become leaders in securities regulation by being innovative, low cost and tough but fair.

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SUMMARY FINANCIAL PLAN

Revenue

Government does not fund the BCSC. Our revenues are derived primarily from fees paid by industry participants.

There have been no significant fee increases in the past 10 years; our revenues have grown in proportion to industry activity. Industry has requested that our surplus revenues be used to improve service levels or to reduce fees. We have done both over the past several years.

In 2001, we reduced or eliminated 14 fees, saving the industry an estimated $4 million per year. There will be further temporary fee reductions of approximately $12 million, primarily affecting the 2003 and 2004 fiscal years, which are intended to return our excess reserves to market participants.

We project the following sources of revenue over the planning period

	Forecast			
Amounts in millions	2001/2002	2002/2003	2003/2004	2004/2005
Prospectus and other distributions	$11.8	$10.3	$12.7	$13.1
Registration	7.1	6.1	4.2	7.1
Financial Filings	3.6	1.9	4.4	4.6
Investment and Other Income	1.9	1.0	0.8	0.8
Exemptions and Orders	0.7	0.8	0.8	0.8
Enforcement cost recoveries	0.2	0.2	0.2	0.2
Total operating revenue	$25.3	$20.3	$23.1	$26.6
Administrative penalties and designated settlements	0.9	0.2	0.2	0.2
Total Revenue	$26.2	$20.5	$23.3	$26.8

Expenditures

The Commission has sought to contain expenditures over the planning period, without hampering our core objectives, including the deregulation initiative. As a result, ongoing operating expenses, not including deregulation project expenses, are not projected to increase significantly over the planning period. The Commission's expenditures are summarized in the table below.

	Forecast			
Amounts in millions	2001/2002	2002/2003	2003/2004	2004/2005
Ongoing operating expenses	$25.3	$25.3	$25.6	$26.3
Deregulation project expenses	0.5	1.6	1.7	Nil
Total operating expenses	**$25.8**	**$26.9**	**$27.3**	**$26.3**
Investor Education Expenses	$0.5	$0.3	$0.3	$0.4
Capital Expenditures	$1.5	$1.4	$1.1	$1.2

Operating Surplus (Deficit)

Excluding the effect of our temporary fee reductions, we aim to operate at breakeven. Accordingly, our budget is tied to market activity.

The Commission's operating surplus (deficit) is estimated in the table that follows. Operating deficits in fiscal years 2002 through 2004 are caused by the Commission's temporary fee reductions and our deregulation initiative.

	Forecast			
Amounts in millions	2001/2002	2002/2003	2003/2004	2004/2005
Reported Surplus (deficit)	($0.1)	($6.7)	($4.2)	$0.1
Impact of fee reductions	1.5	6.0	3.1	0.3
Impact of deregulation project	0.7	1.6	1.7	Nil
Normalized Surplus (deficit)	$2.1	$0.9	$0.6	$0.4

Reserves

The Commission's general reserve will decline over the planning period, as a result of the temporary fee reductions and resulting deficits in the fiscal years 2003 and 2004. We do not expect to draw upon the fee stabilization fund.

	Forecast			
Amounts in millions	2001/2002	2002/2003	2003/2004	2004/2005
Fee Stabilization	$12.0	$12.5	$12.8	$13.0
General	12.5	5.2	0.6	0.4
Investor Education	3.8	3.9	4.0	4.1
Contributed	1.4	1.4	1.4	1.4
Total Reserves	$29.7	$23.0	$18.8	$18.9

BUSINESS PLAN 2002 –2005

Our Business Plan consists of two components:

- The Service Plan, which addresses the major initiatives and strategies of the BCSC for the 3 year period; and

- The Operating Plan, which outlines each division's action plan to effect the portion of the 2002 – 2005 Service Plan that will be implemented in the coming year. Each division's Operating Plan is available upon request.

BACKGROUND

This is the Service Plan of the British Columbia Securities Commission for the fiscal years ending March 31, 2003, 2004 and 2005. We are the independent provincial government agency responsible for regulating trading in securities in British Columbia.

The Plan has been developed by senior management and approved by the Commission. The planning process identifies and evaluates the initiatives that will address the needs of our stakeholders:

- Investors - both retail and institutional, who want to invest in fair and efficient markets.
- Issuers - who rely on the capital markets to fund growth and diversification.
- The securities industry, including self-regulatory bodies and registrants - which serves both users and suppliers of capital.
- The legislature and provincial government - to which the Commission is accountable for conducting its affairs and administering the *Securities Act.*
- The general public – who rely on the BCSC to ensure that the capital markets contribute to the economic well being of British Columbia.

We renew our three-year Service Plan annually, and submit it to Treasury Board as required under the *Securities Act.* It is a public document under the *Budget Transparency and Accountability Act.*

OUR MISSION

The mission of the British Columbia Securities Commission is to protect and promote the public interest by regulating trading in securities

(1) to ensure the securities market is fair, and warrants public confidence; and

(2) to foster a dynamic and competitive securities industry that provides investment opportunities and access to capital.

The dual mission of the BCSC requires that we strike a balance between protecting investors from fraudulent, abusive and unfair practices, and allowing market participants to pursue their economic interests without an excessive burden of regulation. Effective regulation contributes to both aspects of the mission.

OUR VISION

Our vision is to make British Columbia the best place in North America to invest and raise capital. To do that, we must become leaders in securities regulation by being innovative, low cost and tough but fair.

HOW WE REGULATE

We set rules for fair play. Rules are one tool we use to maintain market integrity. Three examples are:

- The securities industry has enormous potential for conflicts of interest. Various rules ensure that these are disclosed and managed in a way that protects the integrity of the market.
- If not properly supervised, markets are vulnerable to manipulation and other forms of abuse that can be used to defraud unsuspecting investors. There are trading rules and procedures that make it difficult to abuse the market, and surveillance rules and techniques to make market abuse easier to prevent and detect.
- Market participants do not always have equal access to information. There are rules ensuring that those with privileged access to information do not trade at the expense of those without that information.

We screen market participants. Firms that trade securities, advise investors or manage portfolios must be registered, maintain minimum capital and adhere to specified standards of conduct. Individual brokers, advisers and investment managers must be registered and meet proficiency requirements.

We mandate quality information for investment decisions. A company raising capital must disclose to investors all material facts about its businesses. It must also keep investors informed by sending them quarterly and annual financial statements and by disclosing material changes affecting the business.

We police the markets for misconduct. We examine registered firms, review the activities of non-registered persons, and we monitor disclosure of publicly traded companies to ensure they are following the rules. We investigate frauds and market abuses. When we find misconduct, we sanction the offenders.

We educate the players. We use plain language to make the regulatory system accessible. We educate the securities industry about its regulatory obligations. The business community learns about new policy initiatives through specialized publications we prepare and seminars we sponsor. Our investor education program helps investors avoid fraud and unsuitable investments.

We oversee self-regulatory organizations. Five national self-regulatory organizations (SROs) play an important role in the securities regulatory system:

- The Canadian Venture Exchange (CDNX), the Toronto Stock Exchange (TSE) and TSE Regulation Services regulate trading by participating brokerage firms and oversee the companies listed on those exchanges.

- The Investment Dealers Association of Canada (IDA) administers the registration of its member brokerage firms (including all CDNX and TSE participants) and regulates their conduct and capital adequacy.

- The newly established Mutual Fund Dealers Association of Canada (MFDA) regulates the conduct and capital adequacy of mutual fund dealers. All mutual fund dealers have to join the MFDA within the next year.

- The Montreal Exchange regulates the trading of derivatives by its participating firms (and does some member regulation for Quebec-based firms).

- The Winnipeg Commodity Exchange regulates trading in commodity futures and commodity options contracts by its member firms.

The BCSC and other securities regulators in Canada supervise these SROs. Each SRO has its own rules and policies and exercises disciplinary authority over its members and, in the case of CDNX and the TSE, over listed companies.

OUR CORE VALUES and ATTRIBUTES

The BCSC and its staff share the following values that guide us in carrying out our responsibilities:

Excellence	We take pride in our work.
Service	We provide efficient, timely and responsive service.
Integrity	We act fairly and ethically.
Communication	We stay informed and keep others informed.
Initiative	We take responsibility for getting things done.
Teamwork	We work as a team.
Recognition	We recognize achievements.
Respect	We treat everyone with respect and dignity.

In addition to the values represented above, we are focusing on four core attributes to ensure that we efficiently accomplish our mission:

Drive for Results –
Focus on results and achievement; hold high expectations and push for high levels of accomplishment.

Effective Communication –
State our expectations clearly, express our ideas well, and keep others informed.

Problem Solving –
Think ahead and plan.

Teamwork and Cooperation –
Work with each other to maximize our talents and accomplish our goals.

THE PLANNING CONTEXT

The following major trends affect the planning context:

- The business of capital raising and securities trading has become highly competitive on a global scale.
- Recently, the world economy has slowed, making markets volatile and capital raising more difficult and more necessary.
- Technology is driving market innovation and facilitating the creation of new financial products and services.
- Technology and competition are changing the structure of markets and the roles of intermediaries.
- Retail investors are participating in the securities markets in record numbers.
- Fraud artists are using new and creative techniques to target investors.

As a result of these trends, we have identified 5 key challenges for the upcoming planning cycle. In addition to completing the residual strategic objectives from the previous plan, we intend to address these challenges through our major strategic initiatives over the next 3 years.

CHALLENGES

1. Excessive regulatory burden on the securities market

The industry and its advisers have told us that they are overwhelmed with the accumulation of rules, regulations, policies and other instruments. The criticisms emphasize the costs and difficulties industry incurs in trying to comply with regulations.

In addition to the continuous emergence of new rules, many existing rules have become outdated. The new government has set a target to reduce the regulatory burden by one-third by 2004, which applies to all regulatory bodies including the BCSC.

Many of the instruments themselves are too complicated and not easily understood. We have also been criticized for sometimes being rigid and bureaucratic, inflexible in our approach to new issues and in exercising our discretion.

We face these demands to make the Canadian regulatory system more efficient and our capital markets globally competitive, while ensuring effective protection of the investing public.

2. Cost to the market of regulatory delays

BCSC and CSA initiatives take too long to complete. The market suffers when issues are not dealt with promptly, and investors lose confidence when they do not see action that responds to emerging issues. We must be prepared to respond quickly so that stakeholders' interests are not compromised by regulatory delays.

3. Lack of compliance by some registrants

BCSC and IDA reviews have demonstrated that some registrants do not comply with their "know your client" and "gatekeeper" obligations. These obligations are made even more important in light of new federal requirements targeting money laundering and the financing of terrorism.

Effective regulation relies heavily on the brokerage industry to be the front line of compliance efforts. To protect investors and the reputation of the markets, we must build an effective "compliance culture" among registrants, based on:

- compliance support at the most senior levels in each firm.
- doing what is right, not whatever can be done without detection.
- not just obeying the rules but also following the "spirit" of the rules.
- actively cooperating with industry compliance staff, SROs and provincial regulators to identify and resolve failures to meet appropriate standards of conduct.

4. Deficient continuous disclosure by some reporting issuers and insiders

Secondary trading on Canadian stock exchanges far exceeds trading in new issues, yet traditionally the regulatory focus has been on primary issue disclosure. Since technology is providing investors and their advisers greater access to new sources of information, British Columbia's capital market participants increasingly rely on continuous disclosure information available from these services.

The challenge is to ensure reporting issuers provide the capital markets with timely, accurate and balanced continuous disclosure.

Another area for improvement is insider reporting. Too often insiders fail to file accurate insider reports, on time or at all.

5. Internet scams and illegal distributions of securities

Internet Scams

Perpetrators now use the Internet to contact large numbers of potential investors and to create an illusion of substance to support old-fashioned scams. These scams are difficult for regulators to detect and investigate and require coordinated action on a national and international basis.

Illegal Distributions

The illegal distribution of securities is a broad problem ranging from fraud at one end to simple ignorance of the rules at the other. Within that range, we are focusing on two aspects: affinity fraud[1] and those who ignore rules governing securities distribution.

Frequently, companies sell securities, with incomplete or no information, to unsophisticated investors who end up with nothing or without the investment they thought they were buying.

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[1] Affinity fraud involves the building of an affinity or bond with investors so a fraud artist can swindle investors.

RESPONSES TO CHALLENGES

To succeed, the BCSC must meet the challenges identified. For each challenge, we have identified solutions in the section that follows.

Challenge 1: Excessive regulatory burden on the securities market

Solutions

1. Deregulation and Uniform Act Projects

We will continue the BCSC's Deregulation Project that began in 2001. The Project has two goals:

- Establish a regulatory system that imposes on the securities industry the minimum regulatory burden necessary to provide investor protection and market integrity.
- Ensure that regulatory simplification in British Columbia does not unduly compromise the principle of national uniformity.

The Deregulation Project is taking a zero-based approach to all regulatory instruments. We are eliminating unnecessary requirements and simplifying surviving requirements when it makes sense to do so. The overall objective is to create a system of regulation that is as efficient and effective as possible. We are also creating new requirements when to do so is consistent with that objective.

Our goal is to meet or exceed Government's target of eliminating at least one-third of existing requirements.

We will also continue with our participation in CSA's Uniform Act Project. The goal of this Project is to produce an Act and set of Rules to be enacted in identical form throughout Canada. This Project also seeks to simplify existing rules and regulatory requirements.

The result of these two projects will be a new *Securities Act*, new Securities Rules and major revisions to other existing instruments. The new Act, Rules and instruments will be drafted using plain language.

Timing:

There is considerable overlap between the two projects, so their work plans are integrated. Both projects are being managed to meet the deadlines in a common timeline:

2002-2003

Oct 31	Complete stakeholder consultations
Dec 31	Conclude decisions on the major law and policy approaches that will underlie the proposals to published for public comment
March 31	Publish materials for public comment

2003-2004

June 30	Conclude public comment period
December 31	Deliver draft legislation and rules to Government
March 31	Target date for proclamation of new legislation and adoption of new rules (actual date subject to government discretion)

Responsible Divisions:

Lead: Deregulation Project Group
Office of the Chair
Executive Director
Capital Markets Regulation
Corporate Finance
Enforcement
Legal and Market Initiatives
Communications and Education

2. Work with CSA to Develop a National Registration Database

CSA will complete building and introduce a national database of individual registration information. This will be accomplished by creating a system that will

- process individual registration applications, information and fees electronically
- interface with the BCSC's existing registration system
- provide for provincial registration by way of mutual reliance on other jurisdictions

The National Registration Database will reduce the regulatory burden on British Columbia's securities markets by speeding up the registration process and easing the paperwork burden.

Timing: We will work with CSA in accordance with a work plan developed by CSA. We will develop and implement the necessary interfaces between the BCSC's registration database and NRD by the launch date that CSA determines.

Responsible Division:

Lead: Corporate Planning and Management Services
Executive Director
Capital Markets Regulation
Legal and Market Initiatives
Communications and Education

3. New Economy and Adoption of Technologies Group (NEAT)

The NEAT group was formed within the BCSC last year in response to the growing technology sector in British Columbia. It is comprised of BCSC staff from various divisions. Its goals are to open the channels of communication with firms operating in this sector, and identify candidates to act as external advisors to the BCSC on regulatory issues affecting these firms. The NEAT group's focus this year will be to:

- Identify regulatory barriers facing these firms, such as impediments to capital raising. We will identify potential areas of concern through industry surveys, focus groups, one-on-one interviews, and consulting with industry associations.
- Improve our understanding of how these firms operate, e.g. the business cycles of these firms, unique challenges facing them such as the need for large amounts of capital to fund R&D commitments. We will assess what the BCSC can do to assist these firms to operate their businesses, either by eliminating unnecessary regulatory requirements or revising existing requirements.

Timing:

- Nominate individuals by May 31, 2002 drawn from a cross section of firms operating in the new economy to form part of the NEAT group. They will serve as special advisors to the BCSC on securities regulatory issues impacting such firms.

- In consultation with the special advisers identified by NEAT, we will analyze the results of a report prepared in early 2002 resulting from focus groups and interviews. We will recommend regulatory changes that need to be made and identify issues meriting further exploration by NEAT by June 30, 2002.

- Work with the Deregulation Group to implement the regulatory changes over the fiscal year.

Responsible Divisions:

Lead: Legal and Market Initiatives
Executive Director
Corporate Finance
Communications and Education
Corporate Planning and Management Services
Deregulation Project Group

4. Develop better website and other tools to assist industry with routine regulatory requirements.

Better tools for the industry will speed up routine regulatory tasks. We have established a cross-functional work team composed of representatives from each division. By March 31 of each year, the team establishes a work plan for the coming fiscal year based upon input from each division.

Timing: The team's work plan will contain milestones for achievement throughout the year.

Responsible Divisions:

Lead: Corporate Planning and Management Services
Communications and Education
Executive Director's Committee

Success Criteria for Challenge 1

We intend to conduct appropriate surveys of user and stakeholder groups to assess the progress of the BCSC's solutions for this challenge.

Deregulation and Uniform Act Projects criteria

We will deliver to government a uniform Act and set of Rules in time for the Spring 2004 legislative session.

NEAT criteria

- Nomination of special industry advisors.
- Analyze the results of a report prepared early in 2002 that will identify regulatory barriers to the operation of new economy firms in British Columbia.
- Work with the special advisors and the Deregulation Group to make recommendations for eliminating or modifying regulatory impediments to doing business in British Columbia.
- Work with the special advisors to identify potential education initiatives to assist firms operating in the new economy.

National Registration Database

We will implement the necessary changes to our internal system by the NRD launch date.

Website criteria

(Numerical success criteria will be determined when the website work plan is determined)

- User satisfaction surveys
- Increased usage/visits to the website in targeted areas

Challenge 2: Cost to the market of regulatory delays

Lengthy and excessive regulatory processes impose costs on the market.

Solutions

1. Problem Identification

Develop a process (based on risk management principles) by which the Executive Director's Committee can, on a quarterly basis throughout the year:

- solicit nominations from staff of important problems in the market, or other emerging regulatory issues;
- evaluate the nominations to select the issues to be addressed; and
- develop solutions and monitor their implementation

Timing: On a quarterly basis during the year (June 30, September 30, December 31)

Responsible Division:
Executive Director

2. Development of New Instruments

We will ensure that the development of new instruments is relevant, timely, and consistent with our goal to reduce the regulatory burden. We will accomplish this by:

- Reviewing proposed new initiatives against existing ones to make sure that:
  a) resources are spent only on initiatives that meet BCSC priorities
  b) the benefits of the initiative justify the costs
  c) new instruments are consistent with the goals of the Deregulation Project Group
- Developing a work plan for each initiative within 1 month of assignment
- Assessing the progress of initiatives against their work plans on a monthly basis

Responsible Divisions:
Legal and Market Initiatives
Deregulation Project Group

3. Information System - Legal and Market Initiatives

We will develop a computerized information system that will support and promote efficiencies in the applications review process.

Timing: Complete the development of the information system within the fiscal year

Responsible Divisions:

Lead: Legal and Market Initiatives
Corporate Planning and Management Services

4. Process review

We will review and audit processes in BCSC divisions to ensure that delays are minimized. We will:

- Review specific processes in each participating division to ensure continuing relevance, effectiveness and efficiency.
- Eliminate or revise processes as dictated by the review results.
- Survey the stakeholders for each division to decide the effectiveness of new processes.
- Subject all processes to a subsequent review between six months and one year after adoption.
- Communicate the results of the surveys to the industry and to staff.

Timing: Each division will identify processes for review, and will develop a review plan by September 30, 2002. The review plan will set further milestones.

Responsible Divisions:

Lead: Executive Director
Enforcement
Corporate Finance
Capital Markets Regulation
Corporate Planning and Management Services

5. Applications Process Review

Together with the CSA Mutual Reliance Review System (MRRS) for Applications Committee, we will review National Policy 12-201 and make recommendations to improve the procedures for filing and reviewing applications.

Timing:

- Complete the review and make recommendations by June 30, 2002
- Assuming the Policy is to be revised, BCSC staff will seek Commission approval to publish the revised Policy within 60 days of receiving the final revised draft Policy

Responsible Division:

Lead: Legal and Market Initiatives

Success Criteria for Challenge 2

Problem Identification

Adoption of the process – June 30, 2002

Process Review

- All necessary process reviews completed by December 31, 2002
- Service standards developed, implemented, and monitored for achievement by March 31, 2003, including the following:

    - Written acknowledgement of complaints and referrals to CAT within two business days
    - Achieve maximum file loading of 4 files per Investigator
    - Targets met for timely processing of cases in CAT, Investigations, and Litigation
    - Achieve 20-business day completion time for local applications and MRRS where BC is principal jurisdiction.

    All service standards and response times to be measured either by annual Performance Measurement stakeholder survey, or individual division customer surveys by March 31, 2003.

Challenge 3: Lack of compliance by some registrants

The reputation of the British Columbia capital markets is harmed when registrants participate in inappropriate and illegal market activities, whether locally or in foreign markets. The regulatory system relies on registered firms and their registered salespeople to play an effective role as the front line of regulation. However, examinations of some firms show deficiencies in sales compliance practices.

Solutions

1. Compliance Culture

We will work with the IDA to assist their members to take a more active role in developing a compliance culture, and to understand their compliance behavior relative to the compliance behavior of other IDA members by:

- concluding the project begun in 2001 – to advise registrants of our expectations, and to follow up with appropriate compliance and enforcement action in areas of non-compliance.
- holding a series of presentations, with IDA participation, at IDA member firms to compliance staff and registered representatives, emphasizing their compliance responsibilities.
- developing with the IDA an annual report to its member firms, reporting on compliance performance.
- assisting the IDA to implement monitoring systems and pre-registration review procedures to identify, monitor and, where appropriate, refuse to reinstate the registration of non-compliant registered representatives.

Timing: At least 4 presentations will be scheduled by April 30, 2002. The IDA sales compliance report will be produced in conjunction with the IDA.

Responsible Divisions:
Lead: Capital Markets Regulation
Enforcement

2. Cease Trade Orders

Registrants have told us that they find it very difficult to monitor compliance with Cease Trade Orders issued by each province, because there is no convenient public database for them to do so.

We will provide convenient public access to cease trade orders and other public enforcement information. In conjunction with industry, we will devise a method to make available or deliver information concerning cease trade orders and other public enforcement information.

Timing: Complete by March 31, 2003

Responsible Divisions:

Lead: Capital Markets Regulation
Corporate Planning and Management Services
Corporate Finance
Enforcement
Communications and Education

Success Criteria for Challenge 3

- All remaining identified IDA members dealt with appropriately to ensure major areas of non-compliance rectified.

- At least a 30% reduction in major sales compliance deficiencies, as measured by IDA sales compliance examinations.

- Cease trade order information available electronically and linked to industry security trading systems as required. Industry implementation of effective compliance systems for CTOs.

Challenge 4: Deficient continuous disclosure by some reporting issuers and insiders

The British Columbia capital market relies more than ever on continuous disclosure. Results of the BCSC's Continuous Disclosure Review (CDR) program indicate that the quality of disclosure, particularly MD&A and insider reporting, while getting better still needs improvement. The capital market's reliance on continuous disclosure will increase as a result of the CSA proposal for an integrated disclosure system.

Solutions

1. Education on Disclosure Requirements

We will educate issuers, insiders and their advisers on the nature and extent of their disclosure requirements by:

- Developing and distributing information on continuous disclosure
- Participating in industry education forums

Timing: Distribute updates throughout the year as topics are identified. Participate in two industry forums by March 31, 2003.

Responsible Divisions:
Lead: Corporate Finance
Communications and Education

2. Post Review Survey

We will obtain industry feedback on the effectiveness of our review program and education initiatives.

Timing: Develop and implement survey for issuers by June 30, 2002. If appropriate, implement changes to review program or education initiatives on an ongoing basis.

Responsible Division
Lead: Corporate Finance
Communications and Education

3. Recurring Disclosure Problems

We will identify the major recurring disclosure problems and develop action plans to change behaviour and improve compliance.

Timing: To identify the problems and implement action plans by June 30, 2002.

Responsible Division:
Corporate Finance

4. Insider Reporting Requirements

We will improve compliance with the insider reporting requirements of the *Securities Act*.

Timing: To develop and implement review program April 1, 2002. Summarize nature and extent of non-compliance by June 30, 2002. Develop and implement compliance plan, including selection criteria to identify appropriate cases and procedures for settlement or referral of matters to Enforcement, by September 30, 2002.

Responsible Divisions:
Lead: Corporate Finance
Enforcement

Success Criteria for Challenge 4

- Industry surveys will determine whether staff's education initiatives were effective.
- Management Discussion and Analysis (MD&A) disclosure should improve continually during the planning period. The CDR program should demonstrate that at least 20% (net) of reporting issuers have noticeably improved the quality of MD&A disclosure as at March 31, 2003.
- The number of documents required to be re-filed and the number of issuers put on the BCSC's list of defaulting issuers for deficient MD&A should be reduced by 20%.
- Based on a sample of insider reports, the insider reporting will improve continually during the planning period. The results of the compliance program should demonstrate that the number of non-compliant insiders has been reduced by at least 10% from the first to the last quarter.

Challenge 5: Internet scams and illegal distributions of securities

Scams have been increasing with the expansion of the Internet. At the same time, the illegal distribution of securities is a broad problem encompassing simple ignorance of the rules at one end – to fraud to at the other.

Solutions

1. Web-crawling software

We will use web-crawling software to seek items of potential Internet fraud and abuse.

Timing: The software will be acquired by the beginning of the year. On a quarterly basis, we will review progress and the nature and extent of matters detected.

Responsible Division:
Enforcement

2. Create a team of investigators to deal with illegal distributions

This team will be coordinated with a public awareness initiative through Communications and Education and advice to the legal profession on *Securities Act* requirements. We will also make greater use of the Commission's website.

Timing:

- Create team of investigators by Dec. 31, 2001. To work through until March 31, 2003.
- Advise public and legal profession through publications and programs through 2002 fiscal year.

Responsible Division:
Enforcement
Communications and Education
Corporate Planning and Management Services

3. Affinity Investor Awareness

We will present affinity investor and con artist awareness profiles to 5 church groups in British Columbia.

Timing: Complete by June 30, 2002.

Responsible Divisions:
Enforcement
Communications and Education

4. Informational brochure

We will develop and deliver an informational brochure to assist private companies to understand securities regulation generally, avoid illegal distributions and create an awareness of the key capital raising exemptions. In this process, we will identify associations to partner with.

Timing:

- Prepare a draft of the brochure and identify associations to partner with by September 30, 2002.
- Disseminate the brochure by December 31, 2002.
- Use the brochure during investor presentations.

Responsible Divisions:

Lead: Corporate Finance
Legal and Market Initiatives
Communications and Education

Success Criteria

- Completion of presentations on affinity groups by June 30, 2002.
- Twenty per cent reduction in the number of inadvertent illegal distributions that the Case Assessment Team identifies during 2004-2005 compared to the number during 2001-2002.